

Calculation of Maximum Expenses for Prior Approval/Limited Auto Rate and Excess Profit Filings:
Effective June 1, 2008 (including for 2008 Excess Profit Filings)

In accordance with N.J.A.C. 11:3-16.9(c), all insurers filing for Private Passenger Automobile rate revisions shall limit the historic expense provision for Commission and Brokerage, Other Acquisition Expenses, and General Expenses on a combined basis to the weighted average of those companies that use the same marketing method as the filer. The calculation is no longer restricted to the 20 largest companies and groups based on the most recent annual Written Premium volume in New Jersey. Companies with membership requirements, that are new to New Jersey, or that only write PAIP policies are excluded.

Written Premium volume and Commission and Brokerage Expense are based on data from the Statutory Page 14 Exhibit for New Jersey. Other Acquisition Expense and General Expense are based on direct countrywide data from Part 3 of the Insurance Expense Exhibit. Three years of data, 2005-2007, were analyzed. A weighted average by New Jersey Written Premium was calculated individually by year, and the three years were averaged to calculate a cap. Liability and Physical Damage data was analyzed separately. 5% was added to each value to calculate the final cap.

All expense ratios were calculated as a percent of Direct Written Premium or Direct Earned Premium net of dividends, but gross of excess profits to reflect the reduced premiums of companies that consistently pay dividends.

	Expense Caps		
	<u>Direct Writers</u>	<u>Captive Agents</u>	<u>Independent Agents</u>
Auto Liability	21.4%	26.1%	29.4%
Auto Physical Damage	21.9%	25.8%	29.5%

Companies Included		
<u>Direct Writers</u>	<u>Captive Agents</u>	<u>Independent Agents</u>
Government Employees Ins Co	Allstate NJ Ins Co	First Trenton Indemnity Co
GEICO Indemnity Co	State Farm Indemnity Co	Encompass Ins Co of NJ
American International Ins Co of DE	Liberty Mutual Fire Ins Co	Palisades Safety & Ins Assoc
AAA Mid-Atlantic Co of NJ	High Point Safety & Ins Co	Mercury Indemnity Co of America
American International Ins Co of NJ	High Point Preferred Ins Co	Proformance Ins Co
New Jersey Re-Insurance Co	High Point P&C Ins Co	Hanover NJ Ins Co
GEICO Casualty Ins Co	Metropolitan Direct Ins Co	Chubb Ins Co of NJ
Citizens United Reciprocal Exchange		IFA Ins Co
Metropolitan Group P&C Ins Co		Palisades Ins Co
Electric Ins Co		Esurance Ins Co
		Hanover Ins Co
		New Jersey Skylands Ins Co.
		Liberty Ins Corp.
		New Jersey Skylands Ins Assoc
		Founders Ins Co
		Consumer First Ins Co
		Tokio Marine & Nichido Fire Ins Co Ltd.
		Keystone Ins Co
		Rutgers Enhanced Ins Co
		Atlantic Mutual Ins Co
		Greater New York Mutual Ins Co
		Insurance Co of Greater New York